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Montana's Competency Project Progress Report

May 1998 Volume I
State Personnel Division

Pay project sets new focus on successful performance

The State of Montana is building a new pay and human resource system to strengthen government services for taxpayers and career opportunities for state employees.

The new system will be phased in gradually over a number of years. It will offer significant changes for state agencies, state employees, and ultimately state taxpayers.

This effort, known as **Montana's Human Resource (HR) Competency Project**, is an initiative of Gov. Marc Racicot's administration and was approved by the 1997 Legislature.

The **HR Competency Project** strives to help state agencies remain responsive in fast-changing times by adding new flexibility to management tools. These tools include job classification and pay, employee recruitment and selection, training, and performance appraisal.

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Gov. Racicot encourages involvement & cooperation

By Gov. Marc Racicot

As a co-worker of yours in state government for more than 20 years now, I admire the efforts that state employees put forth each day on behalf of each other and the public we serve. I also know that state government could do a better job of supporting employees in some of the efforts that matter most. The good news of Montana's Human Resource Competency Project is that we're charting a better course. We're aiming to improve the way we train, evaluate and pay state employees with a new focus on success.

For too long, state government's pay system has failed to recognize or reward employees for valuable competencies. When I say competencies, I'm talking about a combination of knowledge, skills, abilities and behaviors that lead to success in a job. Customer service, teamwork -- whatever the valued competencies for a particular job may be -- it's time we start trying some new approaches. That's why our administration proposed an alternative pay and classification system, and the Legislature agreed.

We don't have all the answers yet, but the Human Resource Competency Project is where and how we'll find them. It's about developing a pay system that keeps up with the times and keeps up with you. In short, it's about three simple ideas: (1) **opportunity**; (2) **improvement** and (3) **involvement**.

By "**opportunity**," I mean we're striving to provide better career options and potential for employees to grow in their jobs. A pay system that promotes initiative and success can offer new kinds of economic incentives and rewards.

By "**improvement**," I simply mean we're looking for better ways of training, evaluating and paying employees. There will be plenty of adjusting and fine-tuning as we go along.

If indeed we all want a better pay system, then management and employees must be partners in this endeavor. That's where active employee "**involvement**" comes in. We're counting on you and our co-workers to help us build a successful system together. We're confident these ideas will provide better alternatives and a road map toward success.

What are competencies?

Examples of competencies include teamwork, communication and initiative. While some competencies may be acquired through specific training, more often they represent certain skills and behaviors. In the everyday work environment, employees are put in situations where it is important to succeed and where success depends on those skills and behaviors.

Competencies can play a key role in employee recruitment, selection, training, performance evaluation, promotion and pay. Successful competency-based systems clearly identify and define competencies that are important for a job. In a sense, they provide employees with a road map toward success in a job, improving opportunities for career growth. Competencies must be measurable and observable. They need to be identified and developed carefully with employee involvement. Good communication between employees and managers, including frequent coaching and feedback, is necessary for success.

Below are some sample competency definitions for different jobs within the **Montana Department of Corrections**. They are just a small piece of a broader performance management program developed by the Department of Corrections with a great deal of employee involvement. Employee-management communications will link mutually established goals for employees and teams to the department's mission and objectives. The information here does not even begin to explain the full scope and detail of the Corrections Performance Management Program, but is provided simply to show examples of some competency definitions:

Competencies are sets of knowledge, skills, abilities and behaviors that contribute to success in a job. They are measurable and observable. Competencies may vary for different jobs. In all cases, however, the required competencies of a job are linked to the agency's mission and goals.

1. Communication -- *effectively listen, speak and write.*

Level A. Communicates information in a way that is readily understandable. Demonstrates courtesy and respect to the customer, preserves accuracy and confidentiality of information.

Level B. Seeks participation from others by actively listening. Open to ideas and suggestions from others. Expresses ideas and concepts correctly and professionally, orally and in writing. Uses technology support well.

Level C. Effectively assesses needs of others through questioning and listening. Uses all available means to communicate in ways that meet or anticipate the needs of others. Uses technology to generate innovative and effective communication with constituents.

Level D. Represents agency to public and other agencies within scope of authority and position. Communicates the highest levels of complex concepts effectively in any setting. Guides staff in preparation of communication about internal programs to public or other agencies.

Level E. Represents agency clearly and effectively in any public venue to include legislature and press. Guides staff in development of programs to most effectively communicate agency programs and needs.

2. Leadership and Teamwork -- *provide guidance, make decisions, and cooperate or elicit cooperation to accomplish tasks.*

Level A. Understands the need for and supports the decisions of the leaders within the agency. Works cooperatively and contributes to the unit by supporting and encouraging team members. Supports consensus decision by unit.

Level B. Recognizes value of team approaches and collective knowledge. Supports collaborative problem solving. Contributes own opinions in positive way. Seeks feedback and participation from others. Executes decisively once decisions are made.

Level C. Builds effective teams dedicated to agency goals. Works effectively in team environment. Responds positively to coaching and seeks development of own leadership and teamwork skills.

Level D. Leads by example with integrity and confidence. Uses coaching and mentoring techniques to encourage staff leadership and development. Manages subordinate performance. Encourages team opportunities to achieve agency goals in a rewarding and challenging environment.

Level E. Establishes and models highest level leadership example for agency. Creates atmosphere of integrity and collaboration toward achieving agency mission. Creates opportunities for staff development. Guides agency to accomplish goals.

Pilot Projects Take The Lead

State Personnel Division staff - the Competency Project Team - are currently in the next phase of developing the competency system: pilot projects. The purpose of these pilot projects is to test the approaches and methods developed in conjunction with the advisory panels and to continue development by testing new approaches, methods and tools to prepare recommendations for the 1999 legislature.

The pilot projects chosen represent a variety of occupations (*from the career bands proposed as part of the framework for the new system*), a cross section of agencies and positions. Different approaches to competency data collection, competency model development, pay scenarios and performance management are being tested in each pilot to aid in system development and to customize the pilot projects to agency needs.

Currently, there are six pilot projects under way:

- ▲ **Montana Chemical Dependency Center Treatment Specialists**, Department of Public Health and Human Services
- ▲ **Brand Inspectors**, Department of Livestock
- ▲ **Information Technology**, MSU, Office of Public Instruction, Department of Transportation, and Department of Administration
- ▲ **Law Enforcement/Senate Bill 269**, primary focus being on the Department of Justice, but also including an interagency committee comprised of representatives from the Department of Transportation, University System, Department of Livestock, Department of Corrections, Department of Fish, Wildlife and Parks
- ▲ **Managers**, Department of Commerce
- ▲ **Health Care Facility Surveyors**, Department of Public Health and Human Services



Advisory Panels Aid Project Development

Advisory panels comprised of upper level managers and personnel officers from various state agencies have been actively involved in the Competency Project and have provided valuable input into system development.

These panels provided five Research and Design (R&D) Teams with an analysis of human resource tools currently being used in the agencies - i.e. what works and what does not. The panels also provided constructive feedback about what tools, structure, and aids they would like to see in the new system.

SPD employees staffed the five R&D Teams covering the areas of Compensation, Competency Development, Performance Management, Staffing and Training and Development.

The R&D teams utilized advisory panel feedback to develop products, tools and methods that met the needs and addressed the concerns of the advisory panels.

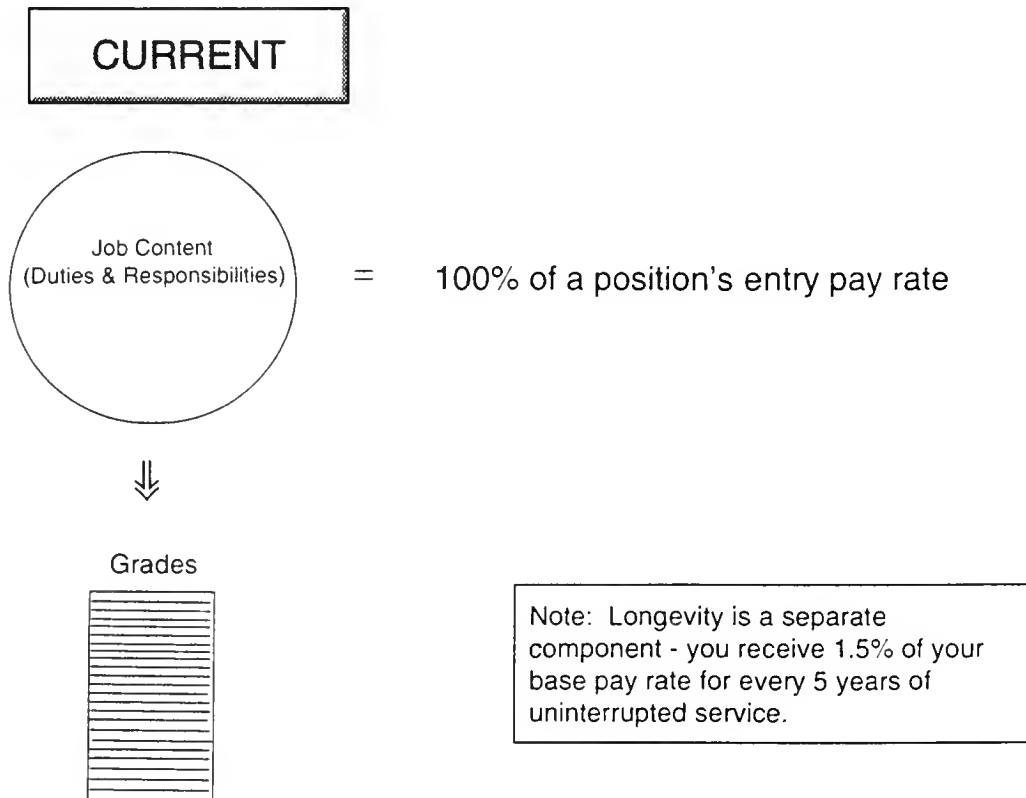
The products and recommendations developed as a result of this approach are being tested and further developed in pilot projects currently underway.

Compare & Contrast

Current system & future system

Current:

- ▲ Positions assigned to one of 25 grades using the seven-factor Benchmark Factoring System, can be time consuming.
- ▲ Pay decisions are based on job descriptions with no regard for how a person performs in a job.
- ▲ Methods of pay, classification, evaluation, training and hiring aren't always linked to agencies' or employees' vision of successful performance.



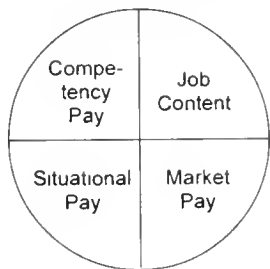
Currently, classification of a position places the job in a grade.
The pay is then set based on the entry level for that grade.

Compare & Contrast Current system & future system

Future:

- ▲ Positions assigned to one of nine grades using one factor, less classification hassle and a wider pay range for career growth.
- ▲ Pay decisions are based on job descriptions, but also provide a means to reward individual employee efforts in the job.
- ▲ Employees and agencies align human resource systems with goals and strategies for successful public service, to the benefit of agencies, employees and taxpayers.

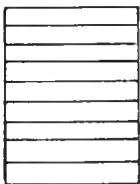
FUTURE



= 100% of an employee's pay



BANDS



A piece of pay will still be determined using job content. Instead of seven classification factors, we will have one factor, comprised of the current Complexity and Knowledge, Skills and Abilities factors.

Competency pay will be a major component of movement within a pay band. Competency pay adjustments will be incremental in nature (small percentage as compared to the current 8-9% raises typical for a classification upgrade) and represent a useful tool for managers in providing employees with incentive for increased competency growth.

Market salary data is compiled, analyzed and maintained by the State Personnel Division. In the future, market adjustments can be made by occupation and/or by position, and may consider specific recruitment and retention issues. Managers will have flexibility to assign greater pay to specific jobs based on market value.

Situational pay is an option for agencies choosing to use it. Extra pay for demanding shift work, difficult locations, and hazardous work situations could also be compensated in this way. If an agency chooses to use differential pay, it is important that it be applied uniformly and consistently through the organization.

This illustration is not intended to represent specific percentages or proportions for any of the pay components shown.

Agencies & employees use competencies successfully

Measuring skills and competencies is not new to state government. In fact, it's fairly common. For years, state agencies have used similar behavioral-based measurements to hire and promote employees. Some agencies have incorporated these concepts into their performance management systems. Those who have integrated behavioral-based measurements with traditional skill- and knowledge-based measurements find them to be good indicators of successful performance.

Here are some examples of how state agencies already use competencies:

- ▲ Job interview questions that focus on conflict resolution, team work or customer service;
- ▲ Job interview questions that ask about the applicant's previous experience with leadership or prioritizing goals under pressure;
- ▲ Job reference checks that ask about the applicant's ability to positively influence co-workers and understand internal & external forces on the organization;
- ▲ Portions of performance appraisals that measure behaviors and actions above and beyond traditional minimum knowledge and skills;
- ▲ Performance appraisals that deal with items such as creative problems solving, leadership, communication skills, planning skills, etc.;
- ▲ Employee training opportunities that aren't driven by traditional minimum knowledge factors, but rather, by competencies such as conflict resolution, effective communication, team work, etc.

To a large degree, the new focus on competencies as factors in pay decisions represents a continuation or extension of concepts that agencies have applied successfully in various aspects of human resources for quite some time. Pay remains the last aspect of human resources unattached to behavioral-based measurements. A goal of the HR Competency Project is to complete the picture by drawing a link between pay and the type of measurements that many state agencies already use and value in various personnel decisions.



Questions & Answers



- Q. *When will the changes described above start to affect employee pay?***
- A.** Agencies and employees in pilot projects between now and December 1998 will identify and grow familiar with the competencies necessary for individual employee and agency success. The pilot projects will build systems for developing and measuring competencies that could allow for competency-based pay in some locations as early as July 1999.
- Q. *How are appropriate competencies determined?***
- A.** Competencies are sets of knowledge, skills, abilities and behaviors that contribute to success in a job. Desirable competencies are those that best support an agency's mission and business needs in delivering effective public services. Competencies are determined in a careful and collaborative process involving agency personnel at many levels.
- Q. *Who decides whether an employee is, or is not, demonstrating necessary competencies?***
- A.** Competency-based systems use frequent feedback between managers and employees for clear communication about work expectations. Options for measuring and assessing competencies range from traditional supervisory evaluations, to newer "multi-rater" approaches, which include feedback from employees' peers and customers.
- Q. *Will state employees get larger pay raises under the new system?***
- A.** The total amount of money available for state employee wages will remain a decision reached through executive and legislative budgeting. The new system doesn't promise larger raises for all employees, but does provide a means for recognizing employee work contributions as a factor in individual pay decisions.

The project, coordinated by the Department of Administration, is on track to meet immediate needs for some agencies and occupations in various "pilot projects." The Legislature directed the executive branch to test the effectiveness of proposed changes in the pilot projects and to submit a report to lawmakers in 1999.

The HR Competency Project is building the alternative classification and pay system based on two concepts that promote better service to the public and better career opportunities for state employees. These concepts are **competencies** and **broadbanding**.

▲ Competencies

Competencies are sets of knowledge, skills, abilities and behaviors that contribute to success in a job. Examples include communication, customer service, teamwork, flexibility -- a blend of behavioral-based factors with traditional knowledge-based factors that are important to a particular job.

State agencies need several types of flexibility in state government's pay system, including the ability to link pay to employee job performance and competencies.

Agencies report that the traditional pay system doesn't provide incentives for career growth or rewards for excellent performance. Managers say their agencies could better serve the public if human resource tools such as pay, evaluation, training and hiring were linked to employee competencies that support each agency's mission and business strategies.

Agreeing with executive branch leadership, lawmakers directed the Department of Administration to develop an alternative system that identifies competencies "necessary for the state and its separate departments and agencies to provide service excellence to Montana's citizens." The legislation requires that employee recruitment, selection, evaluation, and compensation be based, at least in part, on the demonstration of necessary skills and competencies.

The current classification and pay system is **position-based** and longevity-based. Pay is determined by a position description and by an employee's length of service in a job. The HR Competency Project shifts emphasis toward **people-based** criteria, such as employees' observable and measurable demonstration of



knowledge, skills, abilities and behaviors in their jobs. The blending of competency-based factors into the pay system and other human resource systems can promote employee career development and high-quality service to the taxpaying public.

▲ Broadbanding

The other key concept of the HR Competency Project is broadbanding -- a shift toward fewer pay levels with broader pay ranges for each level.

State agencies express a need for greater emphasis on job market comparisons in pay decisions, with less time, hassle, paper work and other administrative burden spent on classification decisions.

The new approach will streamline classification decisions by reducing the seven-factor method of evaluating jobs for classification purposes to one factor -- a combination of the current complexity and knowledge factors.

Broadbanding will consolidate state government's 25-grade pay system into fewer grades or levels. The 25 pay grades could boil down to nine "levels," each having broader minimum-to-maximum ranges than the current grades.

A broadband framework and simplified classification system, combined with new pay options for market comparisons, competencies, and working conditions, can generate better ways of recruiting, retaining and rewarding state employees.

Broadbanding also provides greater opportunity for lateral growth or "career ladders," benefiting employees and customers of state government. A career ladder is a tool by which employees advance in pay when they gain competencies necessary to take on higher-level duties and responsibilities serving the public.

State agencies currently use career ladders as an effective way of maintaining high-quality government services and promoting employee career growth. In many situations, however, agencies and employees are not able to use this tool because of inflexibility and administrative burden in the current classification system.

A broadband pay structure would provide more room for career growth within a job, promoting employee and agency success on behalf of state government's customers -- the taxpayers of Montana.



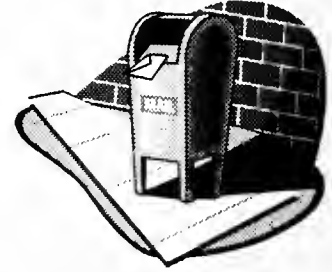
For more information:



For more information about Montana's Human Resource Competency Project, please contact your agency's Personnel or Human Resource Office, or call the **State Personnel Division at 444-3871.**

Staff of the State Personnel Division are available to provide updates and information at any time. Please call if you have any questions, any special concerns, or if your agency would like to arrange a presentation or question-and-answer session about the HR Competency Project.

Please stay tuned for updates. Future newsletters will provide more information and will attempt to answer questions that readers submit to the State Personnel Division. If you prefer to submit questions by mail rather than by telephone, the address is: **State Personnel Division, ATTENTION: Newsletter, PO BOX 200127, HELENA MT 59620-0127.**



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